



THE CITY OF SAN DIEGO **MANAGER'S REPORT**

DATE ISSUED: April 24, 2002

REPORT NO. 02-082

ATTENTION: Honorable Mayor and City Council
Docket of April 30, 2002

SUBJECT: Approval of Managed Care and Call-In Center Services contract as part of the Injury Tracking and Safety System (ITSS) Project, implementing Best Management Practices for treating injured workers.

SUMMARY

Issue - Should the City Council authorize the City Manager to enter into an agreement with GENEX Services to provide Integrated Managed Care and Call-In Center Services for Injured City Employees?

Manager's Recommendation - Authorize the City Manager to execute the agreement with GENEX Services, Inc.

Other Recommendations - None.

Fiscal Impact - Based on an analysis of the proposed vendor's pricing schedule, Managed Care Services fees are projected to total approximately \$1.5 million annually, paid from the Workers' Compensation Fund. However, resulting direct net savings to the fund are estimated to be approximately \$4.8 million.

BACKGROUND

In November 1999, the Risk Management department and the Information Technology & Communications (IT&C) Department initiated the Injury Tracking and Safety System (ITSS) project to consider options for the replacement and automation of the Workers' Compensation,

Long Term Disability and Safety information systems. A team consisting of staff from Risk Management, IT&C, the City Auditor's Office, the Optimization Program, the San Diego Data Processing Corporation (SDDPC) and an independent Information Technology consultant, the Gartner Group, was established to manage the project.

In order to supplement internal reviews of business practices, an independent operational assessment was authorized by the project management team. After a competitive Request for Proposal process, Deloitte and Touche was selected as the project's consultant. They have provided the following services with respect to Workers' Compensation, Long Term Disability and Safety business practices:

- Comprehensive Operational Assessment
- Best Management Practices and Gap Analysis
- Risk Management Information Systems (RMIS) evaluation
- Transition and Change Management Implementation Plan

In October 2001, the Risk Management department took the assessment information and recommendations provided by Deloitte and Touche and developed a detailed project plan and schedule for implementing the best management practices.

Implementation of many of the recommended best management practices require significant upgrades to the systems used for Workers' Compensation claims management. The current system utilizes antiquated mainframe technology developed for the City in 1985. Development of the new client-server based system, the Injury Tracking and Safety System, has begun and will provide the flexibility needed for an integrated approach to workers compensation administration. Deloitte and Touche's operational assessment concluded that the City would further benefit from the implementation of the following two business practices:

- ***Implementation of an automated injury/illness notification process.***
Injury/Illness reporting times by City departments frequently exceed the 24-hour reporting standard due to excessive paperwork, multiple data gathering points and a time consuming interoffice mail process to transmit the information to Risk Management, where the claim is opened and processed. Considering that most employees in the field have access to telephones, Deloitte and Touche recommended a telephonic Call-In-Center for the reporting of injuries/illnesses. The Call-In-Center will provide easy to use procedures for employees and their supervisors to timely report injuries; will provide Risk Management early notification of injuries/illnesses and therefore better claims management services to the injured worker; will automatically interface with the new Injury Tracking and Safety System in order to meet the 24-hour reporting standard, and will comply with State-mandated Electronic Data Interchange (EDI) requirements.
- ***Implementation of a stand-alone integrated managed care services provider.***
The operational assessment included a review of Risk Management's Industrial Medical

contract with Sharp Rees Stealy Medical Group (SRSMG). This contract provides medical treatment for industrially injured and ill City employees, the use of Sharp hospitals at a discounted rate, and respiratory and audiometric examinations. Imbedded in the SRSMG contract is a subcontract with Community Care Network (CCN) for managed care services.

Deloitte and Touch recommended that the City divide the services provided by SRSMG and its subcontractor CCN into two separate contracts to obtain better services, pricing and management of Workers' Compensation claims from the managed care provider. The purpose of the integrated managed care provider is to 1) Provide coordinated services to City employees and ensure timely and appropriate medical treatment; 2) facilitate the rehabilitation and return to productivity of disabled employees; and therefore to 3) better control costs.

Integrated Managed Care services consist of the following elements and benefits to the City:

1. Preferred Provider Organization (PPO) – a network of primary and specialist health care providers with pre-arranged discounted fees; hard savings to the City are realized through calculation of the difference between standard medical billing rates and PPO discounts.
2. Medical Bill Review – a process of reviewing medical related bills and reconciling/re-pricing them with the California Workers' Compensation fee schedule and/or PPO contracted discount rates; hard savings to the City are realized in the difference between originally-billed and ultimately-paid amounts.
3. Medical Case Management – nurse and other medical professional support resources for employees to manage treatment paths, specialist referrals, and rehabilitation resources; savings are realized through reduced loss costs, accelerated return-to-work and assurance of appropriate medical care.
4. Utilization Review – clinical and administrative review of treatment for plans for appropriateness of treatment type and duration. Savings are realized through the identification and remediation of sources of costly over-treatment.

It is anticipated that the cost of the fees for services provided under the contract with GENEX Services for FY 2003 would be \$1.5 million. However, we project gross savings of up to \$6.3 million as a result of the contract's PPO rates and bill review services, with verifiable net savings of up to \$4.8 million; and indeterminate additional savings from Medical Case Management and Utilization Review accruing over future years.

DISCUSSION

Last year the City released Requests for Proposals for an Integrated Managed Care contract and for a Call-In Center service. Thirteen proposals were submitted to the City and three finalists were invited to make presentations to the selection committee. After the presentations were completed, the selection committee conducted due diligence site visits of the respondents' facilities. The committee voted unanimously to select GENEX Services, Inc. as the successful bidder.

The proposed agreement will enable the City to proceed with the integration of business systems and implementation of Managed Care and Injury/Illness Notification best management practices. The benefits and improvements from this integral part of the overall Injury Tracking and Safety System (ITSS) project include but are not limited to the following:

- Improved and faster notification of industrial injuries via a call-in-center;
- Better care for injured employees through effective claims and medical management; and resulting savings;
- Reduced staff time via automated bill review and payment; reduced costs to the City;
- Compliance with state mandated reporting requirements;
- The ability to provide timely information to operating departments;

In view of the enhanced case management services and the savings projected with the proposed contract, the Risk Management Department recommends approval of the agreement with GENEX Services, Inc.

ALTERNATIVE

Do not approve the agreement between the City of San Diego and GENEX and continue subcontracting limited managed care services with CCN via the SRSMG agreement. This is not recommended as the smaller scope of services would result in relatively reduced savings and service levels.

Respectfully submitted,

Bill Lopez
Risk Management Director

Approved: Cathy Lexin
Human Resources Director

Note: The attachments are not available in electronic format. A copy is available for review in the Office of the City Clerk.

Attachment(s): 1. Request for Proposal For Integrated Managed Care and Call-In Center Services
2. Integrated Managed Care/Call-In Center Contract